UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

TS-8

September 26, 1938

THE TOBACCO SITUATION

Summary

The general market average for all flue-cured tobacco sold during the month of August was higher than in August 1937. Reports from representative markets indicate, however, that average prices for Types 13 and 14 declined slightly during the first part of September. The present crop has been moving to market at a more rapid rate than last year.

The marketing season began with the opening of Type 14 markets on July 28. Sales of Type 13, 12 and 11-b began on August 4, August 25 and September 13, respectively. Markets for Type 11-a will open September 27. Sales of Georgia and Florida Type 14 were practically all completed before the end of the third week in August.

Total production of all types of tobacco, indicated by conditions as of September 1, is 1,470,200,000 pounds, or 5.4 percent less than the 1937 crop. This represents a reduction from the output indicated as of July 1 and August 1. The decrease as compared with last season is due to declines in flue-cured, fire-cured, and dark air-cured of 8, 16, and 22 percent, respectively. Material increases in output are indicated for Maryland and cigar types while the Burley crop is expected to be about the same as in 1937.

Due to a higher level of stocks on July 1 as compared with a year earlier the total supply of flue-cured for the 1938-39 season is approximately

the same as in 1937-38. Larger supplies are indicated for Burley, Maryland, and dark air-cured, particularly for Burley. The prospective supply of fire-cured types is smaller than in the preceding year. Little change is in prospect for total supplies of cigar types.

Declines occurred in tax-paid withdrawals of cigarettes, cigars and manufactured tobacco in July as compared with the corresponding month a year earlier. Withdrawals in August, however, were higher than in August 1937. Some further increase in business activity and consumer incomes in the fall and winter is expected. Thus, the decline which had been in progress since the fall of 1937, and which resulted in consumer demand for tobacco products being smaller than otherwise would have been the case, has been halted at least temporarily.

An historical series, World Acreage and Production of Tobacco by Countries, has been prepared, and is available to interested persons upon request to the Bureau of Agricultural Economics. This multilith release includes a relatively complete compilation of available data for 93 geographic divisions and a world estimate.

FLUE-CURED, TYPES 11-14

The marketing season for the 1938 flue-cured crop got under way with the opening of the Georgia and Florida markets for Type 14 on July 28. South Carolina and Border markets for Type 13 opened on August 4, and eastern North Carolina sales for Type 12 began August 25. Markets in the Middle Belt for Type 11-b opened September 13, and selling on Old Belt markets 11-a will begin September 27. Sales of Type 14 were practically completed before the end of the third week of August. Total first-hand sales for the entire season amounted to 105,866,500 pounds compared with approximately 88,111,800 pounds during the previous season. The season's average price was 20.34 cents per pound as compared with 19.66 cents in 1937. Total sales of the other three flue-cured types have been considerably heavier so far this season than in the corresponding period last year. Since total production of Types 11, 12 and 13 is somewhat smaller than in 1937, the present crop apparently is moving to market at a more rapid rate than last year.

Prices in general for all four types have been higher than last season on low to good quality grades while the fine and choice quality grades are lower. The general market average for all flue-cured tobacco sold during the month of August was slightly higher than in August 1937. Reports from representative markets indicate, however, that average prices for Types 12 and 13 receded slightly during the first half of September. It remains to be seen whether the tendency for the lower grades to be higher and the higher grades to be lower in price than was the case last year continues throughout the remainder of the marketing season. Those qualities which have been higher in price relative to a year earlier are produced in larger quantity than are the so-called higher grades.

Total production based on conditions as of September 1 is indicated at 786,900,000 pounds, or 8 percent less than in 1937. The higher level of stocks on July 1 compared with a year earlier, however, resulted in the total prospective supply for the season being a trifle larger than last year. Further revisions in the national marketing quota have raised it to approximately 748 million pounds, compared with the figure of 739 million pounds carried in the July issue of this report and the 705 million originally provided for under the terms of the Agricultural Adjustment Act of 1938.

Tax-paid withdrawals of small cigarettes in the 12 months ended June 30, 1938 totaled 164,381,792,000 or 3.6 percent more than in the corresponding period a year earlier. Withdrawals in the month of July slumped sharply to a level almost 10 percent below July 1937. Withdrawals had been running ahead of a year earlier for several months preceding, and rose again in August. It seems probable that the sharp decline during July was not part of any definite trend.

Consumption of tobacco products has continued to expand in most European countries in recent months in spite of a general decline in business activity and a decrease in exports of tobacco manufactures from these countries. The general increase in consumption has been accompanied by a further shift from other tobacco products to cigarettes. This development is favorable to the demand for flue-cured leaf. As was pointed out in the last issue of this report United States flue-cured has benefited from the increase in the total con-

Flue-cured tobacco: Price per pound received for warehouse sales in Georgia, North Carolina, South Carolina, and Virginia, by types and months, 1929-30 to 1938-39

Type and year	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cent
Type 11-									
1929-30			13.4	17.6	19.7	18.3	16.8	13.1	
1930-31			11.4	14.2	12.0	10.1	8.6	5.5	3.
1931-32			9.3	9.3	8.4	6.3	5.9	4.8	
1932-33			11.1	11.3	11.1	9.8	7.3	5.0	
1933-34		9.8	10.3	14.9	18.7	16.9	14.3	13.7	6.
1934-35		25.2	27.8	32.3	28.1	18.7	16.0	9.0	
1935-36		19.7	18.1	22.0	21.3	17.4	14.4	9.5	
1936-37			24.8	23.5	23.3	19.4	17.4	13.5	
1937-38			25.9	26.2	22.9	17.2	14.0	12.0	
1938-39		22.6							
Type 12-									
1929-30			13.4	21.2	22.8	18.5	15.5		
1930-31			10.5	14.9	14.4	13.8	12.1	10.0	
1931-32			8.7	10.3	9.1	7.0	6.0	1.7	
1932-33			10.8	13.0	13.6	11.6	5.1		
1933-34		10.4	11.5	15.5	20.2	17.6	15.2	9.2	
1934-35		26.2	27.8	35.0	28.1	14.4			
1935-36		19.2	18.9	23.8	20.3	15.5			
1936-37			21.5	24.9	21.9	12.6			
1937-38		21.7	22.0	29.7	24.1	15.6			
1938-39		22.7							
Type 13-									
1929-30	13.6	16.5	15.7	17.1	7.5				
1930-31		10.2	13.7	13.9	12.1				
1931-32		11.4	10.5	6.6	5.3				
1932-33		12.0	12.3	10.8					
1933-34		12.9	13.0	12.5	12.2				
1934-35		24.1	21.0	19.0					
1935-36		21.7	17.9	16.4					
1936-37		23.2	21.1	14.5					
1937-38		23.8	20.3	18.1					
1938-39		24.2							
Type 14-									
1929-30	19.5	18.1							
1930-31		9.9							
1931-32	7.3	6.4	3.0						
1932-33		10.4							
1933-34		11.3							
1934-35		18.7							
1935-36		18.9							
1936-37		21.0							
1937-38	25.2	18.6							
1938-39	25.2	19.6							

sumption of this class of tobacco, particularly in the United Kingdom. However, the total British consumption of flue-cured represented by United States leaf has been declining ever since the World War due to increased utilization of tobacco produced within the British Empire. Stocks of United States flue-cured in the United Kingdom and in other European countries are at about a normal level with reference to current consumption. Stocks of competitive leaf, however, which are represented chiefly by Empire flue-cured in the United Kingdom, are considerably above normal. In the past such a building up of stocks has been followed by a permanently higher level of consumption.

Flue-cured tobacco: Domestic supplies, disappearance, and season average price, average 1932-36, annual 1937-38 1/

Year	Production	Stocks, July 1	Total supply	Disappearance, year beginning July	Average price per pound
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Cents
Average 1932-36	631.6	785.9	1,417.5	628.3	19.3
1937 2/	854.9	883.2	1,738.1	783.8	23.0
1938 2/	3/ 786.9	954.3	1,741.2	---	---

1/ Farm-sales-weight equivalent. 2/ Preliminary. 3/ Indicated September 1.

BURLEY, TYPE 31

The indicated production of Burley tobacco as of September 1 is 402 million pounds or almost exactly the same as the large 1937 crop. Due to an expected increase of about 90 million pounds in stocks on October 1 relative to a year earlier the total prospective supply of Burley for the 1938-39 season is 1,064,000 pounds or approximately 9 percent above the preceding year. Since Burley is used primarily in the domestic manufacture of cigarettes, the demand for it is very similar to the domestic demand for flue-cured tobacco.

Burley tobacco: Domestic supplies, disappearance, and season average price, average 1932-36, annual 1937-38 1/

Year	Production	Stocks, Oct. 1	Total supply	Disappearance, year beginning October	Average price per pound
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Cents
Average 1932-36	274.8	735.0	1,009.8	297.0	18.9
1937 2/	402.7	571.8	974.5	3/ 512.5	20.1
1938	4/ 402.0	3/ 662.0	3/1,064.0		

1/ Farm-sales-weight equivalent. 2/ Preliminary.
3/ Estimated. 4/ Indicated September 1.

MARYLAND, TYPE 32

Production of Southern Maryland tobacco is placed at 30 million pounds based on conditions as of September 1. This is an increase of 19 percent over 1937. Stocks on January 1, 1939 however, are preliminarily estimated to be about 10 percent less than on January 1, 1938. As a result the total supply for the calendar year 1939 probably will be only slightly larger than in 1938.

Prices received so far this season for the 1937 crop have been somewhat lower than the average prices received for the 1936 crop marketed during the 1937 calendar year. While domestic demand conditions and the large crop now being raised have been partly responsible for the decline in prices paid for the last crop, the continued decrease in foreign demand probable is also an important factor. The principal foreign purchasers are France, Switzerland, the Netherlands and Belgium. Under the reciprocal trade agreement reached between the United States and France on June 15, 1936, France agreed to take approximately 20 million pounds of all tobaccos during the next fiscal year. The terms of this agreement were complied with and Maryland tobacco undoubtedly received some benefit, but the downward trend in exports to France was checked only temporarily.

There appears to be a trend away from Maryland tobacco in all of the principal importing countries. The reasons for the decline in foreign utilization are difficult to ascertain, but it is reported that there have been widespread complaints to the effect that Maryland tobacco has been poorly packed and that the quality of shipments has not corresponded to samples. It is also believed that air-cured tobaccos produced in foreign countries, especially in Java, are being substituted to an increasing extent for Maryland. Light grades of Java cigar tobaccos and similar kinds of leaf do not correspond closely to Maryland and are somewhat inferior to Maryland with respect to the qualities for which the latter is noted. However, it is possible to use them as substitutes both in blended cigarettes and in smoking mixtures, and their prices are considerably lower than that of Maryland.

Maryland tobacco: Domestic supplies, disappearance, and season average price, average 1932-36, annual 1937-38 1/

Year	Production	Stocks, Jan. of following year	Total supply	Disappearance, following calendar year	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Average 1932-36	27.3	36.9	64.2	25.5	19.5
1937 2/.....	25.2	41.1	66.3	3/ 29.3	22.0
1938.....	4/ 30.0	3/ 37.0	3/ 67.0		

1/ Farm-sales-weight equivalent.
2/ Preliminary.
3/ Estimated.
4/ Indicated September 1.

FIRE-CURED AND DARK AIR-CURED TOBACCOS, TYPES 21-24 AND 35-37

Total production of dark types based on conditions as of September 1 is 135,700,000 pounds. The fire-cured crop is placed at 98,900,000 and the dark air-cured at 36,800,000 pounds. The indicated production of both classes has decreased considerably since July and August due to unfavorable weather conditions in the Kentucky and Tennessee area. The indicated output is somewhat less than the marketing quota of approximately 148 million pounds. The total indicated supply of fire-cured types is slightly less than 263 million pounds or over 25 million pounds less than in 1937-38. A substantial increase in stocks of dark air-cured makes their prospective supply slightly larger than a year ago.

Dark tobaccos: Domestic supplies, disappearance, and season average price, average 1932-36, annual 1937-38 1/

Year	Production	Stocks Oct. 1	Total supply	Disappearance, year beginning October	Average price per pound
	Million pounds	Million pounds	Million pounds	Million pounds	Cents
Fire-cured					
Total, Types 21-24					
Average 1932-36...	120.5	209.7	330.2	128.0	9.5
1937 2/.....	117.4	170.7	288.1	3/ 124.1	10.7
1938.....	4/ 98.9	3/ 164.0	3/262.9		
Dark air-cured					
Total, Types 35-37					
Average, 1932-36...	32.7	73.3	106.0	39.5	8.5
1937 2/.....	47.4	48.2	95.6	3/ 35.6	8.1
1938.....	4/ 36.8	3/ 60.0	3/ 96.8		
One Sucker, Type 35					
Average, 1932-36..	15.2	33.3	48.5	17.8	8.6
1937 2/.....	24.6	23.8	48.4	3/ 15.4	7.4
1938.....	4/20.1	3/ 33.0	3/ 53.1		
Green River, Type 36					
Average, 1932-36...	15.2	36.7	51.9	19.1	8.2
1937 2/.....	19.8	22.0	41.8	3/ 17.8	9.0
1938.....	4/ 14.5	3/ 24.0	3/ 38.5		
Va.Sun-cured, Type 37					
Average, 1932-36...	2.3	3.3	5.6	2.6	10.2
1937 2/.....	3.0	2.4	5.4	3/ 2.4	8.9
1938.....	4/ 2.2	3/ 3.0	3/ 5.2		

1/ Farm-sales-weight equivalent. 2/ Preliminary.
3/ Estimated. 4/ Indicated September 1.

A smaller total consumption of dark tobaccos in foreign countries, a higher level of foreign production, and exchange restrictions continue to result in contracting foreign markets for American dark types. Recently Italy has become an important factor in the export market for fire-cured tobacco, shipping large quantities to Germany and to a lesser extent to Poland, Belgium, and Switzerland under special import regulations. Italian leaf on the whole is inferior to comparable grades of United States flue-cured, but increasing quantities of it are being used due to its lower price and the fact that it can be obtained under barter arrangements.

During the year ended June 30 the production of all forms of manufactured tobacco declined. The output of plug chewing tobacco decreased by more than 7 percent, and doubtless there was also a significant decline in the production of dark smoking tobacco which does not show up in the figures for production of all smoking tobacco.

CIGAR TOBACCO, TYPES 41-62

Production of all types of cigar tobacco in 1938, according to conditions as of September 1, will total 5,645,000 pounds as compared with 105,812,000 pounds in 1937. This is an increase of 9 percent. An increase of 7.7 percent is indicated for filler, 10.4 percent for binder and 11.1 percent for wrapper. Unfavorable weather conditions have resulted in reducing the indicated output of binder and wrapper during the last 2 months. Stocks of filler on October 1 are expected to be somewhat less than a year earlier, although little change is expected in the carry-over of binder and wrapper. The total prospective supply of filler is slightly smaller than in 1937-38 while supplies of binder and wrapper are a trifle larger. Tax-paid withdrawals of large cigars declined nearly 4 percent in the 12 months ended June 30. Withdrawals in July were lower but in August higher than in the corresponding months a year earlier.

Cigar tobacco: Domestic supplies, disappearance, and season average price, average 1932-36, annual 1937-38 1/

Class and year	Production	Stocks Oct. 1 2/	Total supply	Disappearance, year beginning October	Average price per pound
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Cents
Filler, Types 41-45					
Average, 1932-36	47.3	174.4	221.7	53.5	7.9
1937 3/	45.6	161.1	206.7	4/ 56.7	9.9
1938	5/ 49.1	4/ 150.0	4/ 199.1		
Binder, Types 51-55					
Average, 1932-36	42.6	197.6	240.2	58.9	11.0
1937 3/	51.2	137.4	188.6	4/ 52.6	13.3
1938	5/ 56.5	4/ 136.0	4/ 192.5		
Wrapper, Types 61-62					
Average, 1932-36	7.5	15.1	22.6	8.6	69.1
1937 3/	9.0	12.8	21.8	4/ 8.8	87.2
1938	5/ 10.0	4/ 13.0	4/ 23.0		

1/ Farm-sales-weight equivalent. 2/ Stocks held on farms not included.
3/ Preliminary. 4/ Estimated. 5/ Indicated September 1.

Tax-paid withdrawals of tobacco products in the United States, July-June 1936-37, and July-August 1937-38 1/

Products	Year beginning July			July-August		
	1936	1937	Change	1937	1938	Change
	Millions	Millions	Percent	Millions	Millions	Percent
Small cigarettes	158,680	164,382	+ 3.6	30,389	29,677	- 2.3
Large cigarettes	3	3	0.0	2/	2/	
Large cigars	5,582	5,363	- 3.9	974	934	- 4.1
Small cigars	195	175	- 10.3	33	16	- 51.5
Snuff 3/	36,997	37,105	+ .3	5,825	5,698	- 2.2
Manufactured tobacco 3/	305,742	299,885	- 1.9	52,054	52,319	+ 0.5

1/ Tax-paid withdrawals include products from the Philippine Islands and Puerto Rico. 2/ Less than 500,000. 3/ Thousand pounds.

Production of manufactured tobacco in the United States, July-June 1936-37, and June 1937-38

Manufactured tobacco	Year beginning July			June		
	1936	1937	Change	1937	1938	Change
	1,000 pounds	1,000 pounds	Per-cent	1,000 pounds	1,000 pounds	Per-cent
Smoking	191,415	190,714	- 0.4	16,840	17,118	+ 1.7
Plug	59,957	55,660	- 7.2	5,252	5,036	- 4.1
Twist	6,696	5,891	-12.0	591	460	- 22.2
Fine-cut	5,674	5,103	-10.1	598	427	- 28.6
Scrap chewing	45,139	43,498	- 3.6	3,904	4,142	+ 6.1

Exports of tobacco from the United States by types, export weight, 1936 and 1937

Type	10 months beginning October		
	1936	1937	Change
	1,000 pounds	1,000 pounds	Percent
Flue-cured 1/	302,640	361,919	+ 19.6
Burley	10,248	9,659	- 5.7
Ky. and Tenn. fire-cured	45,392	42,083	- 7.3
Va. fire-cured	8,114	7,063	- 13.0
Maryland 2/	3,729	2,413	- 35.3
One Sucker	353	163	- 53.8
Green River	2,131	3,265	+ 53.2
Cigar leaf	637	1,121	+ 76.0
Black fat, water baler, and dark African	8,101	6,376	- 21.3
Perique	131	108	- 17.6
Stems, trimmings, and scrap	19,257	14,287	- 25.8

1/ 12 months beginning July. The July 1938 exports of flue-cured were 8,165,576 pounds compared with 11,396,084 pounds in July 1937, or a decrease of 28.3 percent. 2/ 7 months beginning January 1937 and 1938.

Acreage and production of tobacco in the United States, by types, 1937 and 19

Type	Acreage			Production		
	1937	1938 1/	Change	1937	1938 2/	Char
	1,000 acres	1,000 acres	Per-cent	Mil. pounds	Mil. pounds	Per ce
Total flue-cured, Types 11-14.....	973.3	934.0	- 4.0	854.9	786.9	-
Old and Middle Belt, Type 11.....	362.0	343.0	- 5.2	281.6	270.3	-
Eastern North Carolina, Type 12..	330.0	310.0	- 6.1	305.3	260.4	- 1
South Carolina, Type 13	185.0	167.0	- 9.7	180.0	150.3	- 1
Georgia, Type 14	96.3	114.0	+18.4	88.0	105.9	+ 2
Total fire-cured, Types 21-24.....	141.5	127.0	-10.2	117.4	98.9	- 1
Virginia, Type 21	24.5	21.6	-11.8	19.4	16.9	- 1
Ky. and Tenn., Type 22	80.0	72.0	-10.0	67.7	55.9	- 1
Ky. and Tenn., Type 23	34.5	30.9	-10.4	28.2	24.0	- 1
Henderson, Type 24	2.5	2.5	0.0	2.1	2.1	
Burley, Type 31	441.6	443.0	+ .3	402.7	402.0	-
Maryland, Type 32	36.0	38.5	+ 6.9	25.2	30.0	+ 1
Total dark air-cured, Types 35-37...	52.9	44.6	-15.7	47.4	36.8	- 2
One Sucker, Type 35	27.1	24.2	-10.7	24.6	20.1	- 1
Green River, Type 36	22.0	17.6	-20.0	19.8	14.5	- 2
Va. sun-cured, Type 37	3.8	2.8	-26.3	3.0	2.2	- 2
Total cigar filler, Types 41-45 ...	40.7	41.3	+ 1.5	45.6	49.1	+
Pa. Seedleaf, Type 41	23.5	24.0	+ 2.1	28.7	32.4	+ 1
Miami Valley, Types, 42-44.....	16.1	16.1	0.0	15.7	15.3	-
Ga. and Fla. sun-grown, Type 45..	1.1	1.2	+ 9.1	1.2	1.4	+ 1
Total cigar binder, Types 51-55	35.6	41.6	+16.9	51.2	56.5	+ 1
Conn. Valley Broadleaf, Type 51...	9.1	8.8	- 3.3	14.0	11.1	- 2
Conn. Valley Havana Seed, Type 52..	6.6	6.5	- 1.5	10.2	8.4	- 1
N.Y. and Pa. Havana Seed, Type 53..	1.1	1.4	+27.3	1.5	1.9	+ 2
Southern Wisconsin, Type 54.....	11.0	15.1	+37.3	14.5	21.6	+ 4
Northern Wisconsin, Type 55.....	7.8	9.8	+25.6	11.0	13.5	+ 2
Total cigar wrapper, Types 61-62...	10.0	10.8	+ 8.0	9.0	10.0	+ 1
Conn. Valley Shadegrown, Type 61..	7.2	7.6	+ 5.6	6.5	6.5	
Ga. and Fla. Shadegrown, Type 62..	2.8	3.2	+14.3	2.5	3.5	+ 4
Total, all types.....	1,731.6	1,680.8	- 2.9	1553.4	1,470.2	-

1/ Preliminary.

2/ Indicated September 1.

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

September 30, 1938

Supplement to -
THE TOBACCO SITUATION

THE LEAF-TOBACCO SITUATION IN EUROPE

General Outlook by Major Types

Although consumption of tobacco products in most European countries continued to increase during the first half of 1938, the increase will probably be less rapid during the next 12 months as a result of the general decline in business activity and in exports from these countries, according to a report received from P. G. Minneman, tobacco specialist in the London office of the Bureau of Agricultural Economics.

Consumption has shifted further from other tobacco products to cigarettes, and in the northwestern continental countries blended cigarettes have made further gains. This development is favorable to the demand for flue-cured leaf and to a lesser extent for Burley. Shifts away from chewing tobacco, snuff, and dark pipe mixtures are unfavorable for exports of dark types. Stocks of United States leaf are generally normal in the more important countries, but stocks of competitive flue-cured leaf, especially in the United Kingdom, are considerably above normal following greatly increased production and imports from India and Canada. Domestic crop prospects in Central and Western Europe indicate slightly increased crops except in France and Belgium. Production of oriental-type leaf in the Balkans, Greece, and Turkey in 1938 is considerably reduced.

Prospects for flue-cured leaf normal

The United Kingdom takes about 85 percent of the United States flue-cured tobacco exported to Europe. Next in importance are the Netherlands, Ireland, the Scandinavian countries, Belgium, and Germany. Consumption of flue-cured, especially in cigarettes, is increasing more rapidly than that of any other type. Competitive growths, however, are becoming increasingly prominent. Most important competition is the production in British Empire countries, which enjoy a 51-cent-per-pound preference on the United Kingdom market. Indian and Canadian crops of flue-cured leaf were greatly increased - from 19.5 and 24.6 million pounds, respectively, in 1936-37, to 38.5 and 53.7 million in 1937-38. Materially larger quantities from these countries have been imported into the United Kingdom, and the proportion of Empire flue-cured in the total United Kingdom consumption continues to increase. It is possible that the sharply increased imports and stocks may foreshadow further increases in consumption of Empire leaf.

Imports of Japanese and Chinese leaf, especially into Germany, are increasing. The Japanese Monopoly's representatives in Europe state that they expect to sell about 6 million yen worth of tobacco in Europe during 1938 as compared with 2.25 million in 1937. 1/ It is estimated that the 1938 value may represent between 10 and 15 million pounds of tobacco. Another source of competition is the materially increased flue-cured production reported in Java. Although this is largely for domestic consumption, further increased production may result in exports to European countries, particularly to the Netherlands.

Stocks of flue-cured in Europe are about normal in relation to the increased consumption and were estimated at about 484 million pounds on July 1, 1938, 403 million of which were United States leaf and the remainder largely British Empire tobacco.

Outlook for dark types less favorable

France takes about one-third of our total 50 or 55 million pounds of fire-cured leaf exported to Europe. The Scandinavian countries, the Netherlands, Belgium, the United Kingdom, and Germany take most of the remainder. The market for dark types has been adversely affected by the declining consumption of snuff and chewing tobacco and the tendency towar lighter mixtures in smoking tobacco. Considerable improvement in the export market for dark smoking tobaccos in 1937, particularly in the Netherlands, resulted in an increased demand for fire-cured leaf to restore depleted stocks. The larger imports have now resulted in about normal total stocks and similar stimulation is not expected during the coming season, although dealers' stocks of these types are unusually smal

Competitive growths of fire-cured tobacco are also of increasing importance. Nyasaland and, to a smaller extent, Canada supply most of the United Kingdom fire-cured requirements at the preferential duty rate. Italy has been the most important new factor in the export market for fire-cured tobacco, particularly in exports to Germany under favored import regulations, as well as to Poland, Belgium, and Switzerland. Total exports of all types of Italian leaf in 1937 amounted to over 12 million pounds, plus waste and stems. But during the first half of 1938, Italian exports amounted to nearly 10 million pounds. Although recently improved in quality, Italian leaf is admittedly inferior to comparable grades of Western fire-cured; but, at lower prices and under barter arrangements, increasing quantities are being used.

An interesting development has been an apparent tendency to shift from fire-cured to dark air-cured leaf in smoking tobaccos. This has been reflected in materially increased current prices for Nyasaland dark air-cured, as well as an increasing use in several continental European countries of dark air-cured types from various other sources.

Burley outlook dependent largely on price relationship

Portugal and Belgium together take more than half of our 8 or 9 million pounds of Burley leaf exported to Europe. Most of the remainder

1/ Süddeutsche Tabakzeitung.

is taken by the Scandinavian countries and the Netherlands. Increasing consumption of blended cigarettes, as well as the use of Burley in smoking mixtures, indicates a somewhat increased consumption, but the outlook depends to a considerable degree upon the price of Burley relative to the price of other medium air-cured types, such as Java, Hungarian, and Paraguay. Although these types are not closely similar, a considerable degree of substitution is effected, especially in smoking mixtures. Particularly important is the tendency in Belgium and the Netherlands to increase the use of Java leaf in blended cigarettes. Low grades of Hungarian have been offered by the Hungarian Monopoly at very low prices during the past 12 months. In Portugal, the principal consumer (from 2 to 2.5 million pounds annually), the market for Burley is holding up well.

Maryland market declines further

Maryland leaf exports to Europe now amount only to between 4 and 5 million pounds. The principal purchasers are Switzerland, France, the Netherlands, and, to a lesser extent, Belgium. The trend away from Maryland is apparently continuing in all of these countries. The trade still complains that the decline in the use of Maryland is, aside from price, due primarily to the fact that the quality of the shipments in earlier years was not up to sample.

Domestic crops increased slightly in Western Europe

European countries, exclusive of Hungary and the countries producing oriental-type tobacco, produce about 333 million pounds annually, largely dark air-cured leaf. The Italian Monopoly authorized a 1,000-acre increase in plantings in 1938, and it is believed that this will result in a somewhat increased 1938 crop, which may approximate 100 million pounds. Plantings have also been increased slightly in Germany and, with more favorable weather this season, an increased crop approximating 77 million pounds is forecast. In Poland, the 1938 plantings have been increased about 10 percent and a crop of about 33 million pounds is forecast. No information is available regarding the Czechoslovak crop.

Smaller crops are expected in Belgium and in France. Adverse weather conditions in the Bordeaux area may result in a French crop smaller than the 68.7 million pounds in 1937, and considerably smaller than the 1936 crop of more than 80 million pounds. Belgian growers have materially reduced their 1938 plantings following an unsatisfactory 1937 crop and unremunerative prices. As a result, the heavy stocks of old domestic leaf have been considerably reduced, and it is anticipated that growers will increase their plantings again in 1939.

Consumption, Imports, Stocks, and Production

The United Kingdom

In the United Kingdom market, the outstanding development is the increased production of flue-cured tobacco by Empire countries and the relatively high stocks of Indian and Canadian leaf, which may foreshadow increased substitution of Empire leaf for that of United States.

Consumption: Tobacco consumption during the first 7 months of 1938, as measured by total manufacturers' requirements, was 6 percent above that of the same period a year earlier. With the poundage represented by the drawback 2/ deducted, however, the net consumption in the United Kingdom increased only 3.3 percent. The slower rate of consumption, consistent with the declining level of industrial activity in 1938, was particularly apparent during April-July, when the net consumption was 2.3 percent less than during the same 4 months in 1937. In view of this recent tendency toward decline, it is possible that the total consumption in 1938-39 may be only slightly greater than in 1937-38.

Total manufacturers' requirements will be considerably affected by the future trend in exports of manufactured tobacco products, which amount to about 35 million pounds and make up about 14 percent of the total leaf requirements. Should the general trend of declining exports in other commodities also influence exports of tobacco products, the market for American leaf, of which exported products are made almost exclusively, would likewise be unfavorably affected.

Of even greater significance than the "depression decline" is the increasing consumption of Empire leaf, which during the first 7 months of 1938 made up about 24 percent of the products consumed domestically, as compared with about 23.8 percent during the same period in 1937. Although this increase is only slight, the 1937 proportion was unusually high as a result of the introduction of new price-cutting cigarettes made largely of Empire leaf. Unfavorable omens for American leaf are not so much in the present consumption as in the large imports and stocks of Empire flue-cured leaf and the tendency on the part of manufacturers to introduce new price-cutting brands of cigarettes in which Empire leaf is extensively used. In two instances in the past, large stocks of Empire leaf have been followed by material increases in its consumption. Furthermore, it is probable that, with declining business activity and purchasing power, consumers will turn to cheaper cigarettes and so encourage the consumption of preferential Empire leaf.

During the first half of 1938, the consumption of Canadian leaf increased about 22 percent above that of the first half of 1937, Rhodesia increased over 10 percent, and Nyasaland over 6 percent, whereas the consumption of Indian was maintained at about the same level. These increases were all limited to flue-cured leaf.

Imports: The sharp increase in imports of tobacco from the United States in 1937-38 resulted from abnormally low stocks following small imports during 1936-37. Imports from the 1937 crop during the 12 months beginning July 1, 1937, amounted to over 247 million pounds as compared with 182 and 229 million, respectively, during the two preceding seasons. The 1937-38 imports were considerably in excess of the approximately 200 million pounds of United States leaf consumed by manufacturers plus the 7 million exported during that period.

2/ The British import duty is refunded on leaf tobacco, stems, and tobacco products when exported, denatured, or abandoned.

Table 1. UNITED KINGDOM: Imports of unmanufactured tobacco 1935-36 to 1937-38

Country	1935-36	1936-37	1937-38
	Million pounds	Million pounds	Million pounds
United States	228.7	182.1	247.3
Other foreign	5.6	3.9	6.5
Total foreign	234.3	186.0	253.8
India	13.3	14.6	a/ 31.3
Canada	8.4	9.3	15.4
Southern Rhodesia	12.7	16.3	14.4
Nyasaland	10.7	12.7	14.4
Other Empire	1.5	1.6	1.3
Total Empire	46.6	54.5	76.8
Total all countries	280.9	240.5	330.6

a/ Actually represents part of two crops. Imports from the 1937-38 Indian crop amounted to about 25 million pounds to September 1, 1938.

As a result of large imports, stocks on July 1, 1938, were the highest on record, both of United States leaf and of Empire leaf. The ratio of stocks on July 1 to manufacturers' requirements during the preceding 12 months was higher than on July 1 in any of the past 3 years, but the ratio of United States leaf was considerably lower than that which prevailed in other years.

In view of the practically normal stock ratio of United States leaf compared with that of recent years and of the prospects for only slightly increased consumption, it would appear that imports during the coming season may be normal at a level above the 1936-37 imports, but below the record 1937-38 imports. It may be pointed out that, in order to maintain stocks of United States leaf a year from now at approximately the same ratio to consumption, it would be necessary to import only slightly more than the current consumption plus reexports, or between 210 and 230 million pounds.

As indicated in table 1, the imports from Empire sources (76.8 million pounds in 1937-38 as compared with 54.5 million and 46.6 million in 1936-37 and 1935-36, respectively) have increased much more rapidly than those of United States leaf. Attention, however, must be called to the fact that the 1937-38 imports from India actually represent part of two crops, since Indian leaf is largely imported during the summer and shipments in 1938 arrived earlier than usual.

Stocks: At 43.5 million pounds, stocks of Indian leaf are particularly high; they have been about 3.06 times manufacturers' requirements during the past 12 months. Canadian stocks, 24.3 million, are

also high at nearly 2.5 years' supply. Rhodesian stocks are low at 1.7 years' supply, but most of the 1937 crop has not yet arrived. Nyasaland stocks are almost 2 years' supply.

Table 2. UNITED KINGDOM: Stocks on July 1 and ratio of stocks to domestic requirements, 1936-1938

Growth	Stocks July 1			Ratio of stocks to domestic manufacture a/		
	1936	1937	1938	1936	1937	1938
	Million pounds	Million pounds	Million pounds	Ratio	Ratio	Ratio
Empire:						
Indian	25.1	26.5	43.5	2.38	2.02	3.06
Canadian	18.0	18.7	24.3	2.05	2.20	2.49
Rhodesian	23.7	27.0	25.3	2.09	2.08	1.66
Nyasaland	24.4	24.7	26.3	1.96	2.05	1.95
Total Empire b/	93.2	99.6	122.7	2.12	2.09	2.32
Foreign c/	343.1	329.5	372.1	1.90	1.73	1.89
Total	436.3	429.1	494.8	1.94	1.30	1.98

a/ During preceding 12 months; in number of years' requirements.
b/ Including other Empire.
c/ About 97 percent from the United States.

Ireland

Consumption during January-July 1938 continued to increase slightly in Ireland, the increase being almost entirely in flue-cured tobacco for cigarettes, which makes up the greater part of the total consumption. Imports during the 12 months ended June 30, 1938, equaled 11.67 million pounds, almost exactly the same as during the preceding 12 months. Imports were almost entirely from the United States and consisted of about 9 million pounds of flue-cured, 1.5 million pounds of fire-cured, largely Western type, and a little Green River.

Domestic production continues to be encouraged; but, although the quality has been improved somewhat, manufacturers find it difficult to use materially increased quantities, and production remains between one-third and one-half million pounds. The outlook continues normal.

France

The French Monopoly's imports of United States leaf have remained fairly constant during the past several years. Imports during the first 6 months of 1938 were about 3 percent larger than during the same period a year ago. Nearly 90 percent of the United States tobacco imported is Western fire-cured and most of the remainder is flue-cured. Maryland leaf has continued to decline in importance. Imports of leaf from other countries during the first half of the year have been materially below normal.

Although the total value of tobacco products consumed during the first 7 months of 1938 was 12.3 percent greater than during the same period a year ago, this increase appears to be due almost entirely to the increase that occurred in prices of tobacco products about a year ago. It is reported that the quantity of cigarettes consumed has remained almost stable, whereas the consumption of smoking tobacco has declined somewhat, with the relatively lower purchasing power that resulted from increased cost of living and some decline in industrial activity. No marked improvement in tobacco consumption appears likely in the near future.

The domestic crop is reported again to be somewhat below normal, largely because of adverse weather conditions during the planting season. About one-third of the principal Bordeaux region, which was planted in June, suffered from insect and drought damage, and much of the area had to be replanted.

Belgium 3/

Although the consumption of all tobacco products increased in Belgium during the first half of 1938 and totaled about 4 percent above the same period in 1937, this trend, particularly for cigarettes and cigarillos, is not expected to continue during the next 12 months, primarily because the excise banderole taxes were increased on cigarettes and cigarillos on July 25, 1938. 4/ The increased taxation weighs most heavily on cigarettes, and the trade estimates that it may result in a possible 10-percent decline in cigarette consumption during the next 12 months. It is also probable that the increased cigarette tax will result in a shift toward increased consumption of fine-cut tobacco for hand-rolled cigarettes. The higher taxes were applied especially to cigarettes and cigarillos, the two products for which consumption had recently increased, and which, therefore, were considered able to bear heavier taxation.

Belgium has always been a market for low-priced leaf, with low taxation and low-priced products. The outlook for United States leaf, therefore, will be influenced greatly by leaf prices. It is important to note, however, that the recent tax increase no longer applies with a uniform percentage on all prices of products; now higher-priced brands are taxed at regressively increased rates. This may have two important effects: first, it may offset a shift toward cheaper brands, which would naturally follow increased taxation; and, second, it may encourage increased consumption of higher-priced products (from better-quality leaf).

Dealers' stocks of American tobacco are very small. Practically all the stocks are owned by manufacturers and are held in bonded warehouses. Bonded stocks on August 1, 1938, were somewhat lower than they were 12 months earlier. Considerable leaf has been reshipped from Belgian ports to France and smaller quantities to Switzerland. The 1938 domestic crop is reported to be much smaller than last year's crop, and old stocks are being worked off.

3/ Partly based on information from Consul Charles C. Broy, Brussels.
4/ See supplement to The Tobacco Situation, July 29, 1938, p. 8.

The Netherlands

Consumption of cigarettes in the Netherlands continued to show a substantial gain during the first half of 1938, and consumption of cigars also increased. The increasing cigarette consumption is reflected in a greater demand for both flue-cured and, to a lesser extent, Burley. Increased imports of Western fire-cured in 1937 resulted primarily from low stocks and an increased export demand for cut tobacco, in which Western fire-cured is largely used. With stocks at more nearly normal levels, a further increase in imports of fire-cured tobacco is not expected. The us of light grades of Java in blended cigarettes is increasing, and this competes to a considerable extent with Burley and flue-cured. The cigarette industry cartel expired on August 1, 1938, and manufacturers have not yet been able to agree on a permanent basis for a new agreement.

Germany 5/

Although stocks of United States leaf are very low in Germany and a continued urgent demand prevails for American tobaccos on the part of German manufacturers, prospects for imports of such tobacco remain limited Imports of United States tobacco, of course, depend upon barter arrangements, so that it is difficult to estimate such trade in advance. Some improvement in barter trade in United States tobacco has been noted in recent months, and there is little question but that the potential demand continues to be large. The active demand for Virginia varieties, for example, may be seen from the fact that, as of July 1, 1938, the quantity permitted to be used of Japanese and United States light Virginia tobaccos had been increased to 110 percent of the basic quota. 6/ As soon as the Austrian Monopoly's leaf stocks become depleted, its requirements will undoubtedly come under the same limitations as those for the rest of Germany

The consumption of tobacco products in Germany continued its upward trend during the first half of 1938, total consumption being about 4 percent greater than that of the same period in 1937. The greatest increase (8.8 percent) was in cigarettes. Cigar consumption also increased (3.3 percent). Consumption of all other products declined; smoking tobacco by 1.4 percent, chewing by 3.2 percent, and snuff by 0.7 percent. An important shift has taken place in the type of smoking tobacco from poorer-quality, low-priced, pipe tobaccos to higher-priced fine-cuts. Ordinary pipe tobacco, made largely of lower-quality domestic leaf, declined 10.4 percent during the first half of 1938, whereas fine-cut, containing large proportions of flue-cured tobacco, increased 18.3 percent and preferential fine-cut increased 7.7 percent. This shift would be favorable to American leaf if imports were permitted.

5/ Based on report from the Berlin office of the Bureau of Agricultural Economics.

6/ Restriction in the utilization of United States light Virginia and Japanese Virginia was started in 1936 when regulation No. 12 of the Supervisory Office for Tobacco, of October 29, 1936, ordered that only 90 percent of the basic quantity used during the period October 1, 1935, to September 30, 1936, could be purchased annually by manufacturers of tobacco products.

Total leaf imports during the first 7 months of 1938 increased 2.3 percent in line with increased consumption. Imports from the United States, however, during this period amounted to only 4,060,000 pounds, a decline of nearly 30 percent from the 5,720,000 pounds imported during the same period a year ago. On the other hand, imports of Italian Kentucky-type leaf increased sharply to 1,210,000 pounds, compared with 61,000 pounds during the same period in 1937 and 740,000 during the entire year 1937. In addition, the first shipment of 48 hogsheads of "Bright Italia" was sent to Bremen in June. Imports of Chinese leaf were maintained at last year's rate, while imports from Japan increased to 1,110,000 pounds of Chinese and 855,000 pounds of Japanese tobacco. It is also significant that 257,000 pounds of Rhodesian leaf were imported and 398,000 pounds of Hungarian leaf, both of which constituted sharp increases over the quantities imported the preceding year. Imports of tobacco stems and trimmings were reduced to about two-thirds of the volume imported during the first 7 months of 1937, the reduction being almost entirely in imports from the United States.

The domestic crop in 1938 will be larger than in 1937, and will probably be the largest in Germany since the World War. Plantings in 1938 are reported at 33,100 acres, compared with about 32,000 acres in 1937. With favorable weather during the remainder of the season, production may amount to 77.2 million pounds, against 71.6 million last year. Although German leaf tobacco is primarily for use in pipes and in making cigars, every attention has recently been devoted to the quality and production of flue-cured tobacco, of which between 125 and 150 acres were planted in 1938.

Scandinavian Countries

Tobacco consumption in the Scandinavian countries is increasing - cigarette consumption most rapidly and universally. There is also a continuing shift from oriental-type to blended cigarettes, in which flue-cured and Burley are used. It is possible, however, that the declining exports of forest and agricultural products from these countries may be reflected in a considerable slowing up in the demand for tobacco products during the next 12 months.

In Denmark 7/ the Import Control, which limits the amount of foreign exchange available for the purchase of tobacco, continues to hamper imports and to focus attention on the purchase of lower-priced leaf. There appears to be no indication that the Import Control on tobacco will be removed in the near future in view of the tightening of the general foreign-trade situation. Should the Import Control on tobacco be removed, however, the immediate effect would undoubtedly be for increased purchases of United States leaf to replenish low stocks.

In Norway, 8/ consumption, especially in cigarettes, is increasing, and there has been some tendency to a slightly larger use of chewing

7/ Based on information from Vice Consul E. Gjessing, Copenhagen.
8/ Based on information from Consul General William H. Beck, Oslo.

tobacco and snuff. Stocks of American leaf are believed to be about normal and the general outlook continues favorable but dependent primarily, of course, upon changes in consumer purchasing power.

In Sweden the trend toward increased consumption of blended cigarettes continues, whereas that of chewing tobacco and snuff appear to be declining further. Stocks of flue-cured tobacco, which were built up through large importations in 1936-37 in order to meet the increased demand for blended cigarettes, are now at a level consistent with consumption, which would indicate that future imports need be increased only in proportion to consumption.

Finland 9/

Consumption of tobacco in Finland increased considerably during the first half of 1938; but, with the relatively poorer outlook for Finland's forest-product exports, it is possible that this increase may be retarded. The outlook is not quite so promising as it was a year ago, although American types of leaf are favored. Stocks are normally small in Finland. It is reported that complete revision of the Finnish customs tariff is now being studied with a view to reducing the duty on unmanufactured tobacco, effective January 1, 1939, from 25 to 5 Finnish marks per kilogram. It is probable that this reduction in import duty may be offset by increased excise taxes. An increase in the excise rate from 36 percent of the retail price to 48 percent is suggested.

Switzerland 10/

It is reported that tobacco consumption in Switzerland is declining slightly because the increased cost of living has not been sufficiently compensated by adjustments in salaries and wages, despite increased employment. On December 24, 1937, the Government issued a decree restricting the manufacture of "stumpfen" type cigars during the first and second quarters of 1938 to 90 percent of the manufacturer's production during the corresponding periods in 1937, and during the third quarter to 80 percent. Whether this restriction will continue during the fourth quarter has not yet been announced. It is reported that this restriction has been applied chiefly to help cigar workers, because the excessive stocks of cigars on hand would have compelled some manufacturers to close down and others to resort to price cutting. The decline in "stumpfen" is reflected adversely on the market for American fire-cured.

As a result of increased imports in 1936 and 1937, stocks are said to be somewhat above normal. The domestic crop is reported to be increased slightly and is estimated at about 2.25 million pounds.

Portugal 11/

The market for American leaf tobacco in Portugal appears to be steady, although the quantity of cigarettes and smoking tobacco manufactured

9/ Based on information from Consul B. Reath Riggs, Helsinki.
10/ Based on information from Consul M. W. Altaffer, Zürich.
11/ Based on information from Consul General J. B. Young, Lisbon.

continues to decline slightly. Burley makes up about one-half of Portugal's requirements for United States tobacco. Of the remainder, the greater part is fire-cured tobacco.

Poland 12/

Total tobacco consumption increased in Poland during the first 5 months of the year, especially of cigarettes, whereas that of pipe tobacco declined slightly. The most important development in Poland is the steady increase in the domestic crop, which is estimated at about 33 million pounds, or about 10 percent larger than the preceding crop.

Latvia 13/

Cigarette consumption is increasing in Latvia, and a slightly increased demand for flue-cured leaf may be expected. Stocks of leaf are normally small. The Latvian-American balance of trade, however, has been increasingly unsatisfactory to Latvia; and, with a view to achieving bilateral balance with countries that import Latvian goods, the Government is making it increasingly difficult for local importers to obtain permits to import from the United States. Lumber exports so far in 1938 have been unsatisfactory and prices have declined. As a result, the Government has restricted imports. Tobacco manufacturers are reported to be disquieted by rumors that the Currency Commission may impose reduced quotas on the importation of American leaf.

Lithuania 14/

Consumption of tobacco products in Lithuania increased during the first half of 1938. The trade agreement with Soviet Russia is encouraging the increased importation of Caucasian leaf, which largely replaces Balkan types. On July 18, 1938, revised tobacco excise rates and retail prices became effective. The change was made primarily with a view to increasing the revenue through increasing the average selling price of the products. Rates and prices of higher-quality brands were reduced; whereas either those of lower-priced brands were increased or the selling prices were held constant and the excise rates were increased, thus reducing manufacturers' profit margins. It is believed that this change will not have an adverse effect on the demand for American leaf.

Italy

Italy is increasing in importance as a tobacco-exporting country. During the first 6 months of 1938, 9.7 million pounds of leaf were exported from Italy, compared with 3.5 million during the first half of 1937 and 12.45 million during the entire year 1937. Most of Italy's leaf exports are shipped to Poland, Belgium, and Germany. Nearly 1 million pounds were sent to the United States, but this is believed to be largely reexported oriental leaf from the Balkan countries. Smaller quantities of Italian leaf were also sent to Italian colonies, Switzerland, Austria, and Argentina. Most of the Italian exported leaf is of fire-cured and

12/ Based on information from Consul M. E. Malige, Warsaw.
13/ Based on information from Vice Consul E. Allan Lightner, Jr., Riga.
14/ Based on information from Consul Bernard Gufler, Kaunas.

dark air-cured types, but it is significant that a shipment of 48 hogsheads of "Bright Italia" (flue-cured) was sent to Germany in June. During the first half of the year, there were no leaf imports from the United States.

Data on the 1938 domestic crop are not available; but, since growers were authorized to increase their plantings about 1,000 acres in 1938 above the 1937 area of 79,400 acres and favorable weather has been reported, an increased crop is anticipated. During the past 5 years, the production of dark Kentucky and Virginia types has been reduced, while the production of the light air-cured and flue-cured types has been increased materially. In 1938, only about 1.75 million pounds of Burley, Maryland, and Bright Italia were produced as compared with 11.85 million in 1937.

Consumption of tobacco products is increasing, coincident with good industrial activity. Total sales of tobacco products during the first 6 months of 1938 increased nearly 7 percent, cigarettes 10 percent, cigars 2 percent, and smoking tobacco 3 percent, while the small consumption of snuff declined slightly.

Oriental-Type Leaf Production Reduced 15/

Following increased production and accumulation of excessive stock several years ago, countries producing oriental-type leaf materially reduced their plantings in 1937 and again in 1938. Plantings this year in five of the six countries - Bulgaria, Greece, Turkey, Rumania, Yugoslavia and Hungary - were reduced below 1937 plantings. In Rumania, a small increase was reported, but plantings are still smaller than they were in 1936 (table 3).

Total 1938 production for these six countries is preliminarily estimated by the Belgrade office of the Bureau of Agricultural Economics at about 407 million pounds, compared with nearly 500 million pounds in 1937 and 560 million pounds in 1936. Excessive stocks, which had accumulated from crops prior to 1932 resulted in low prices and forced these countries to regulate production. The Belgrade office estimates total stocks in these countries on July 1, 1938, at about 386 million pounds.

Greece, Turkey, and Bulgaria, the principal producers of oriental-type leaf, are now exercising Government control over production, both by regulating quantity and through removing low-quality leaf. In Rumania, Yugoslavia, and Hungary, monopolies exercise complete control over production.

Greece

Government regulation in Greece has resulted in reducing plantings in 1938 to about 214,000 acres, compared with about 236,000 in 1937.

15/ Largely from contributory report received from the Belgrade office of the Bureau of Agricultural Economics.

Transplanting on the mainland was delayed by unfavorable weather conditions. On the Greek islands, conditions were favorable. The Government purchases old stocks of low-quality leaf in growers hands and destroys such tobacco. Exports during the first half of 1938 were larger than during the same period of 1937, and trade agreements with Czechoslovakia, Poland, and Sweden ensure export outlets.

Turkey

The 1938 acreage in Turkey is estimated at about 235,000 acres, slightly less than in 1937. The drought during July somewhat reduced the size of the crop, but the quality is expected to be good. Export activity has been animated except during the winter when difficulties arose with respect to barter trade with Germany.

Bulgaria

Plantings in Bulgaria are estimated at about 94,000 acres, slightly less than the 96,000 acres reported by the Ministry of Finance for 1937. The Ministry regulates plantings in the various districts and has reduced them in areas producing low-quality leaf. At the same time, the Government is improving varieties through the distribution of improved seed. A relatively small 1937 crop and an active export season reduced stocks of earlier crops for export almost to zero. Carry-over of previous crops on January 1, 1938, was estimated at less than 12 million pounds, part of which was held by the State. The Government has decided to purchase for destruction about 6.6 million pounds of inferior grades of the 1937 crop, which are considered unmarketable. It was recently reported that Japanese interests are negotiating purchases of low-quality Bulgarian leaf through "compensation" agreements. Prices during the first half of 1938 remained stable and slightly higher than those of the preceding year, especially for the lower grades.

Rumania

The 1938 acreage in Rumania is estimated by the Belgrade office at 37,000 acres, compared with over 35,000 in 1937. Stocks on July 1, 1938, were placed at about 59 million pounds, sufficient only to cover anticipated domestic requirements.

Yugoslavia

Yugoslav plantings in 1938 are estimated at less than 37,000 acres, compared with nearly 51,000 in 1937. The greatest reduction has been made in areas producing inferior qualities of dark air-cured types. Exports during the first half of 1938 totaled 8.7 million pounds, shipments being made to Czechoslovakia and, on the barter basis, to Poland. No exports were made in the same period of 1937.

Hungary

The officially estimated area under tobacco in Hungary is 33,300 acres compared with slightly over 36,000 acres in 1937. It is important to note that there is a shift toward the production of more dark air-cured leaf and less semi-oriental types. The Monopoly has exported only dark

air-cured leaf, but at low prices, and the volume of exports during the first half of 1938 was 8 million pounds, nearly twice that during the first half of 1937.

Tobacco seed was produced for oil in Hungary in 1935 by 77 growers, with a total production of nearly 200,000 pounds. In 1936, seed production was expanded to 430,000 pounds and in 1937 to 740,000 pounds. It is reported that the seed yields from 43 to 48 percent oil and that the remaining cake has good feeding value.

Soviet Union 16/

Soviet authorities have reported the 1938 tobacco plantings at 504,000 acres, almost exactly the same as that reported for 1937. Total imports of tobacco and tobacco products in 1937 were reported at 3.1 million pounds and total exports at 6 million pounds.

Table 3. Tobacco area and production in Greece, Turkey, and Danube Basin countries, average 1931-1935 and 1936 to 1938

Country	Average 1931-1935	1936	1937	1938 (estimated)
	Acres	Acres	Acres	Acres
AREA				
Bulgaria	68,825	106,285	a/ 95,825	94,000
Greece b/	200,529	284,392	236,205	214,000
Turkey c/	119,406	209,501	d/ 242,788	235,000
Hungary	49,573	37,312	36,077	e/ 33,000
Rumania	31,829	45,165	35,261	37,000
Yugoslavia	36,786	45,269	50,826	37,000
Total	506,948	727,924	696,982	650,000
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
PRODUCTION				
Bulgaria	53,836	93,098	a/ 69,052	58,420
Greece b/	90,843	181,229	151,707	114,640
Turkey c/	80,036	163,270	d/ 148,811	121,250
Hungary	61,619	50,327	47,937	e/ 44,580
Rumania	19,226	33,219	22,635	27,560
Yugoslavia	24,698	41,458	54,720	40,230
Total	330,258	562,601	494,862	406,680

a/ Final figure of the Ministry of Finance published in "Tutunev Pregled," June issue, 1938. b/ Greek Offices for the Protection of Greek Tobacco. c/ Turkish Tobacco Monopoly. d/ Preliminary. e/ The last Hungarian official crop estimate of August 23, 1938, places the acreage planted with tobacco at 33,282 acres.
Compiled by the Belgrade office, Bureau of Agricultural Economics.

16/ Suddeutsche Tabakzeitung, No. 103.

- - - 0 - - -

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

October 1, 1938

- -

Supplement to -
THE TOBACCO SITUATION

- -

PRODUCTION AND CONSUMPTION OF FLUE-CURED TOBACCO REDUCED IN THE ORIENT 1/

Continued hostilities have reduced the 1938 production of flue-cured tobacco in oriental countries 2/ to 170 million pounds, compared with a record crop of 289 million pounds in 1937, according to a report received from Tobacco Specialist J. Barnard Gibbs, Shanghai office, Bureau of Agricultural Economics. Substantial increases in production in the Japanese Empire and Manchuria failed to offset a reduction of two-thirds in China, where 70 percent of the total is normally grown.

Imports of American flue-cured by oriental countries during the crop year 1937-38 (October-September) totaled about 56 million pounds, a reduction of 20 percent from last year. The carry-over of domestic flue-cured on September 30 was larger than a year ago, despite the destruction and spoilage on farms of large quantities from the 1937 crop. Owing, however, to the smaller production this year, the total supply for 1938-39 will be less. It is expected that, because of unstable conditions, reduced purchasing power, and exchange difficulties, manufacturers will limit imports of leaf next year to minimum requirements. Orders will likely be placed on a month-to-month basis. It is also believed that requirements will be for lower grades than in past years. Stems will probably be in greater demand.

Consumption of flue-cured tobacco in oriental countries during the 1937-38 season is expected to show a reduction of about 16 percent. The greatest decrease was in China, where military activities have disrupted transportation and reduced the purchasing power of the people. It is estimated that not more than 115 million pounds of China's large flue-cured crop of 1937 has been purchased to date for machine-made cigarettes, compared with 200 million pounds bought from the 1936 crop. Hand-rolled operators have taken about 38 million pounds, and approximately 57 million pounds were destroyed, spoiled, or diverted to pipe-tobacco uses. There has been an increase, however, in hand-rolled cigarettes made entirely of domestic leaf. This has offset to some extent the large decrease in consumption of machine-made cigarettes. Import restrictions on leaf tobacco entering Manchuria have resulted in a decrease in cigarette production in that country. In Japan a slight decrease is estimated as a result of advanced cigarette prices. Total consumption of leaf tobacco in cigarette manufacture in oriental countries during the 1937-38 season is now estimated at about 248 million pounds, compared with 297 million pounds during the 1936-37 season.

1/ Revision of the July 29 supplement on the basis of later information.
2/ China, Manchuria, and the Japanese Empire.

Stocks of flue-cured tobacco in oriental countries have increased this season as a result of the reduced production of manufactured cigarettes in China and the delayed marketing of the 1937 crop. The carry-over on September 30 is estimated at 176 million pounds compared with 153 million pounds on September 30, 1937. Stocks of American leaf tobacco in China are small and very little is now being imported owing to the inability to obtain exchange. Stocks of American leaf in Japan are sufficient for a few months' consumption at the present reduced rate. In Manchuria, flue-cured stocks are very small.

An important development is the progress and plans of Japanese cigarette companies toward extending operations in China. It is reported that of the 14 Chinese-owned cigarette factories in the eastern district of Shanghai, 8 have recently been taken over and are being reconditioned for manufacturing operations by Japanese interests. Reports also indicate that Japanese cigarette companies are planning to expand operations at a number of points in North China. Extension of control by the Japane would accelerate the tendency to use Chinese tobacco to the exclusion of American leaf when conditions affecting production in important Chinese areas become more settled. Future plans of the Japanese monopoly or its subsidiaries may also include promotion of flue-cured production in China to the point where increases in exports will be possible.

Chinese flue-cured crop greatly reduced

Production of flue-cured tobacco in China in 1938 is reported at 81 million pounds, or about 60 percent less than the 1937 harvest. This year's crop is the smallest since 1929. It compares with the 5-year average production, 1932-1936, of 147 million pounds.

Japanese forces are in control of two of the three flue-cured tobacco districts in China and hostilities border on the third. Chinese farmers have found it difficult to market their 1937 crop. Sales have been at low prices. Another factor reducing tobacco acreage this season has been the desire of farmers to produce food crops.

Cigarette-manufacturing companies in port cities have had considerable difficulty in obtaining Chinese flue-cured leaf from the record 1937 crop. It is estimated that little more than half last year's crop has moved out of the producing districts. Some of the Shantung crop purchased at Tsingtao is reported to consist of a large percentage of high-grade leaf at prices averaging 5 United States cents per pound. Little is known about what proportion of the 1937 Anhwei flue-cured crop has reache port cities, but the quantity is believed to have been comparatively smal Reports indicate that about 50 percent of the Honan crop has moved out, mostly to Hankow, and a small amount to other interior cities.

Chinese imports of leaf tobacco, including stems, were reduced from 54 million pounds in 1936-37 to 46 million pounds in 1937-38 because of the military conflict and, in recent months, the exchange situation. There are some stocks of American leaf in Shanghai that were contracted for months ago but cannot now be sold owing to the inability of merchants to obtain foreign exchange. The Ministry of Finance of the

Chinese Government now makes allotments of foreign exchange on only that class of imported goods considered vitally necessary. Leaf tobacco and cigarettes are not included. If an allotment of foreign exchange could be secured, 1 United States dollar would cost approximately 3.40 yuan, whereas in the open market 1 United States dollar costs approximately 5.50 yuan. Imported leaf tobacco sold in the open market is almost prohibitive in price for the making of cigarettes to be sold in Chinese currency. A slight reduction in the import duty, however, effective June 1, 1938, may offset to some extent the exchange difficulties on stems and the cheaper grades of leaf.

Cigarette factories in China during 1937-38 operated at a very low level. Many Chinese factories in Shanghai and other regions under Japanese control have closed or removed to other areas. Only at Hankow have the factories been active this season.

Consumption of cigarettes in China has been greatly reduced this season, not only as a result of the inability to transport cigarettes to the interior but also because of the great reduction in purchasing power of the people. In many port cities, factory employees and laboring people who are regular consumers of cigarettes have had their income practically cut off during the current season.

Exports of flue-cured tobacco from China during the 1937-38 season were below the amount shipped to foreign destinations in 1936-37. It is estimated that approximately 10 million pounds will be shipped from Shantung to Japan in 1938-39 compared with 3.8 million pounds last season. Exports to Manchuria, however, have been considerably reduced.

Manchuria increases flue-cured production

A harvest of 6.4 million pounds is reported for the 1938 crop in Manchuria compared with 5.3 million pounds last year. Stocks have been reduced to a low level by heavy withdrawals following import restrictions, increases in domestic consumption, and increased exports to North China. It is not likely, however, that the exchange situation will permit any increase in imports from the United States during 1938-39. The Manchurian Government is encouraging the expansion of flue-cured tobacco and plans to reach a maximum production within 8 years. High prices have not yet been offered as a means of expansion, however; and, as farmers are not eager to cooperate with Manchurian authorities, expansion will probably be slow. If present conditions continue, production 5 years from now may not exceed 15 million pounds.

Imports of leaf tobacco into Manchuria in 1938 have been limited by the Manchurian Government, in accordance with the Trade Control Law, to a total of 6.5 million Manchurian yuan ($1,946,800). The total value of leaf imported during the 1937 calendar year as reported by the Foreign Trade Returns was about 7,600,000 yuan ($2,190,720). The permits for tobacco imports are allotted to different companies, a small amount at a time, and permits since the last of January have not been sufficient to purchase leaf required to meet factory demands.

Imports of leaf tobacco from the United States are expected to show a decline, owing chiefly to exchange difficulties.

Japan plans increase in flue-cured.

The 1938 acreage of flue-cured tobacco in the Japanese Empire was 55,388 acres, according to information received from the Monopoly Bureaus of the different parts of the Empire. This represents about a 15-percent increase over the record acreage of 1937. The production of flue-cured tobacco for 1938 was planned to reach 82.7 million pounds, which would compare with the record harvest of 74.2 million pounds for 1937. As a result of Japanese import restrictions on American leaf, the Monopoly Bureaus are giving more attention to increasing the production of flue-cured types.

In Japan proper, the Monopoly Bureau fixed the 1938 acreage for flue-cured type at 44,760 acres, for native types at 46,969 acres, and for sun-cured Burley at 1,310 acres. These acreages were calculated by the monopoly to produce 66.8 million pounds of flue-cured in 1938, 80.6 million pounds of native types, and 1.9 million pounds of sun-cured Burley. The acreage of flue-cured tobacco is about 14 percent larger than that of the preceding year, a greater increase than for any other type.

The Chosen Monopoly Bureau places the 1938 flue-cured tobacco acreage at 7,823 acres, an increase of 23 percent above that of last year. The increase of flue-cured tobacco is proportionately more in Chosen than in other parts of the Empire owing to the higher-quality leaf produced there as a result of favorable climatic and soil conditions. Production in 1938 is reported to be about 12.4 million pounds, which will be the largest crop ever harvested in the area.

The 1938 flue-cured acreage in Taiwan is placed at 2,805 acres, a 15-percent increase over that of last year. Production is forecast at 3.5 million pounds compared with the record crop of 2.9 million pounds in 1937.

Imports of leaf into Japan during the present season, owing to import restrictions, have been limited to small quantities of particular types required in making some of the more expensive brands of cigarettes. Even such amounts may be further curtailed, since the Ministry of Finance has greatly tightened restrictions during recent months. Imports from the United States (composed mostly of flue-cured leaf) have been drastically reduced. Imports from China are not restricted; and, because of the good-quality leaf produced in Shantung in 1937, the amount may even show an increase over imports of the preceding year.

A small decrease in cigarette consumption in the Japanese Empire is expected on account of the price increases of January 31, 1938. This may be largely offset, however, by increased consumption in the military service and increased exports of cigarettes to China.

FLUE-CURED TOBACCO: Production in the Orient, 1932-1938
(farm weight)

Year	China	Manchuria	Japanese Empire: Japan proper	Chosen	Taiwan	Total	Total Orient
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
1932.....	104,000	2,000	23,669	7,024	489	31,182	137,182
1933.....	149,000	2,500	40,271	5,768	629	46,668	198,168
1934.....	140,000	3,000	44,626	7,055	1,076	52,727	195,757
1935.....	163,000	3,500	51,288	7,063	1,262	59,613	226,113
1936.....	180,000	3,800	48,893	7,640	1,936	58,469	242,269
1937 a/....	210,000	5,282	62,163	9,126	2,885	74,174	289,456
1938 b/....	81,000	6,356	66,832	12,360	3,527	82,719	170,075

a/ Preliminary estimates. b/ Forecast.

LEAF TOBACCO (INCLUDING STEMS): Imports and exports of the Orient, crop years 1932-33 to 1937-38

Designation	October-September 1932-33	1933-34	1934-35	1935-36	1936-37	1937-38 a/
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
CHINA						
Imports from						
United States.....	65,515	83,572	31,358	31,274	51,896	42,000
Manchuria.....	-	446	458	258	478	690
Japanese Empire...	858	588	1,384	940	3,360	810
Other countries...	2,125	1,376	1,650	1,065	957	2,500
Total imports b/	72,498	85,982	34,850	33,537	56,691	46,000
Total exports...	118,629	27,594	30,397	40,717	38,348	22,000
MANCHURIA						
Imports from						
United States.....	c/	d/11,970	4,435	4,397	11,367	10,500
China.....	c/	d/17,921	14,559	21,795	20,858	15,392
Japanese Empire...	c/	d/ 3,051	2,774	3,007	4,218	3,108
Other countries...	c/	d/ 153	2,364	1,119	2,027	-
Total imports b/	c/	d/33,095	24,132	30,318	38,470	29,000
Total exports...	c/	d/ 905	554	375	584	-
JAPAN						
Total imports b/e/..	10,516	15,072	11,032	12,174	8,620	f/ 3,631
Total exports.....	2,662	2,804	7,109	6,005	11,649	f/ 6,391

Foreign Trade Returns for respective countries.
a/ Estimated on basis of incomplete returns. b/ Includes reexports.
c/ Not available. d/ January-September 1934 only. e/ Imports from the United States averaged approximately 50 percent of the total through 1936-37, but not more than 47 percent in 1937-38. f/ October to June.

- - - 0 - - -